

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: May 23, 2003
To: Lee Holloway, Chairman, Milwaukee County Board of Supervisors
From: Jerome J. Heer, Director of Audits
Subject: Audit Review - Wauwatosa School District's Reimbursement of Operating Costs of the Milwaukee County Department of Health and Human Services (MCDHHS) Schools for the 2001-02 School Year

The Wauwatosa School District provides teaching services at the MCDHHS schools pursuant to a contractual agreement. As part of the agreement, the Department of Audit reviews the School District's cost of providing teaching services and related reimbursements received from the Wisconsin Department of Public Instruction (DPI).

Our review has determined that for the 2001-02 school year, DPI has fully reimbursed the School District for all costs (\$2,807,522) associated with school operations. In addition, the agreement provides that the School District remit to Milwaukee County funds which represent a rental payment for the MCDHHS school facilities. This rental payment amounts to \$580,381 for the 2001-02 school year. The amount is due to Milwaukee County within 45 days of the release of this report.

Historically, DPI had reimbursed the School District approximately one year after the end of the school year. For the eighth consecutive year, DPI paid the District 75 percent of their claim by the fall of 2002. The District received the following payments from DPI: August 12th - \$708,870, September 23rd - \$708,870, October 21st - \$687,902. These payments totaled \$2,105,642 or 75 percent of the total 2001-02 claim. In turn, the School District forwarded the following partial payments to MCDHHS: September 30th - \$146,540, December 31st - \$146,540. These payments totaled \$293,080, but only amounted to 50 percent of the total 2001-02 school year facility rental charge. The School District decided to hold the balance of the amount due to Milwaukee County until, according to the contract, this report is released.

MCDHHS notified the School District in December 2000 of its intent not to automatically renew the contract for the 2001-02 school year pending contract provision changes including that in future school years Milwaukee County receives its prorated share of any early reimbursements from DPI on a timely basis. Although not an issue this year, we also had previously recommended that MCDHHS pursue contract language changes which would relieve Milwaukee County of any financial responsibility and/or provide a more equitable sharing of education costs not reimbursed by DPI. That situation occurred last year when the County was under-reimbursed by \$59,065. Considering the State's pending fiscal situation, shortfalls in future DPI reimbursements could, in all likelihood, become an issue.

Although MCDHHS has been negotiating contract language changes with School District officials for almost two and a half years, according to MCDHHS, nothing has been finalized at this time. Negotiations with the School District appear to be languishing due to a change in the County's facility landlord from MCDHHS to the Department of Public Works (DPW). We understand from DPW management that they will now be the lead County department in negotiations with the School District.

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To expedite Milwaukee County's receipt of the payment (\$287,301) due from the Wauwatosa School District, we have issued this report without inclusion of MCDHHS and DPW management's response.

Please refer this report to the Finance and Audit Committee.

A handwritten signature in cursive script, reading "Jerome J. Heer".

Jerome J. Heer

JJH/cah

Attachment

cc: Milwaukee County Board of Supervisors
Scott Walker, County Executive
Robert Slotterback, Superintendent, Wauwatosa School District
Paula Lucey, Director, Department of Health and Human Services
Thomas Kenney, Acting Director, Department of Public Works
Kathleen M. Eilers, Administrator, Department of Health and Human Services,
Behavioral Health Division
Terry Kocourek, Fiscal & Budget Administrator, Department of Administrative Services
Rob Henken, County Board Director of Research
Lauri J. Henning, Chief Committee Clerk, County Board Staff

Audit Review of Wauwatosa School District's Reimbursement of Operating Costs of MCDHHS Schools for the 2001-02 School Year

Background

Milwaukee County has a contractual agreement with the Wauwatosa School District to provide teaching services at the Milwaukee County Department of Health and Human Services (MCDHHS) schools (Behavioral Health Division and Detention Center). The County agrees to reimburse the School District for any program costs not reimbursed by the Wisconsin Department of Public Instruction (DPI) as they apply to the residents of the MCDHHS schools. As a provision of this agreement, the County Department of Audit reviews the School District's request for State reimbursement prior to submission of such claims to DPI. Subsequently, the Department of Audit reviews reimbursements received from DPI and reports on the settlement between the School District and Milwaukee County. As an additional part of the contractual agreement, the School District reimburses MCDHHS funds which represent a rental payment for using school facilities. Within 45 days of release of the audit report, the School District must remit to Milwaukee County a rental payment for facilities.

Scope

Our audit review included the following procedures:

- Obtained written verification that County rental costs were included in the School District's request for State reimbursement;
- Examined copies of the School District's request for State reimbursement, prior to submission of such claims to DPI, to ascertain that all reimbursable costs have been included in the reimbursement claims;
- Verified reimbursement received from DPI to determine the settlement between the School District and Milwaukee County; and
- Reviewed the contractual agreement between the County and the School District.

Settlement for the 2001-02 School Year

As summarized on the attached **Exhibit**, the Wauwatosa School District will remit \$287,301 to Milwaukee County. The \$287,301 represents the remaining balance of the outstanding 2001-02 rental payment for the MCDHHS school facilities. We recommend that:

1. *MCDHHS administration obtain payment due Milwaukee County from the School District within the stipulated 45 days from release of this report.*
2. *DPW continue negotiations with the School District regarding contract language changes so that Milwaukee County receives its prorated share of any future early reimbursements made to the School District from DPI on a timely basis; and secondly that the County is relieved of any financial responsibility and/or is provided a more equitable sharing of educational expenses of the program if the DPI (State) does not reimburse all program costs.*

Exhibit

Audit Review of Wauwatosa School District's
Reimbursement of Operating Costs of MCDHHS Schools
for the 2001-02 School Year

School Facility Rental Charges		\$ 580,381
Less Net Unreimbursed Expenditures:		
Costs	\$ 2,807,522	
Less Reimbursed Expenditures	\$ <u>2,807,522</u>	
Net Unreimbursed Expenditures		<u>0</u>
Total Amount Due From School District		\$ <u>580,381</u>
Less Amount Previously Received from School District		\$ <u>(293,080)</u>
Remaining Balance Due from School District		\$ <u>287,301</u>